

Message Text

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-02

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 2209

INFO AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

USMISSION USBERLIN

USMISSION EC BRUSSELS

AMEMBASSY BERLIN

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

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SUBJECT: FRG PROGRAMS TO COMBAT UNEMPLOYMENT AND
ASSIST THE UNEMPLOYED

REF: (A) BONN 13117, (B) BONN 12862

1. SUMMARY: TO COMBAT THE INCREASED UNEMPLOYMENT
SINCE MID-1973, THE FEDERAL GOVERNMENT HAS INSTITUTED
A NUMBER OF MEASURES INCLUDING INCREASED INVESTMENT IN
THE PUBLIC SECTOR AND A 7.5 PERCENT TAX INCENTIVE FOR
THE PERIOD NOVEMBER 30, 1974 TO JUNE 30, 1975 TO IN-
CREASE PRIVATE INVESTMENT AND JOB CREATION. OTHER
DIRECT JOB-RELATED MEASURES INCLUDE A PROGRAM OF GRANT-
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ING WAGE SUBSIDIES TO EMPLOYERS WHO HIRE ADDITIONAL

WORKERS, NEW MOBILITY ALLOWANCES FOR WORKERS WHO MOVE TO ACCEPT NEW JOBS IN OTHER AREAS, AND EXTENSION OF THE PERIOD DURING WHICH WORKERS CAN RECEIVE SHORT-TIME WORK BENEFITS FROM 12 TO 24 MONTHS. IN ADDITION, UNEMPLOYMENT COMPENSATION, UNEMPLOYMENT ASSISTANCE AND PART-TIME WORK AS WELL AS BAD WEATHER ALLOWANCES FOR CONSTRUCTION WORKERS WERE IMPROVED. THUS THE FEDERAL GOVERNMENT NOW HAS A VARIETY OF PROGRAMS TO DEAL WITH THE UNEMPLOYMENT PROBLEM. HOWEVER, THE LATEST UNEMPLOYMENT STATISTICS (SEE REFTTEL A) INDICATE THAT THESE PROGRAMS HAVE NOT PRODUCED THE ANTICIPATED RESULTS. IT IS ALSO DIFFICULT TO EVALUATE THE IMPACT OF THE GOVERNMENT'S PROGRAM ON INCREASING EMPLOYMENT SINCE EMPLOYMENT STATISTICS ARE UNAVAILABLE. (THE FEDERAL EMPLOYMENT SERVICE (BUNDESANSTALT FUER ARBEIT) PROGRAM OF DEVELOPING EMPLOYMENT STATISTICS, WHICH BEGAN OVER FOUR YEARS AGO, HAS BEEN DELAYED BY TECHNICAL PROBLEMS.) IN ITS NEW EFFORTS, THE GOVERNMENT REPORTEDLY WILL TRY TO STIMULATE THE CONSTRUCTION INDUSTRY, WHERE UNEMPLOYMENT IS RELATIVELY HIGH. END SUMMARY.

2. BEGINNING IN MID-1973, THE GERMAN LABOR MARKET BEGAN TO DETERIORATE. UNEMPLOYMENT INCREASED RAPIDLY, THE NUMBER OF WORKERS ON SHORT-TIME GREW, AND JOB OPENINGS DECREASED. FOR 1975, THE FEDERAL EMPLOYMENT SERVICE CALCULATES AN AVERAGE UNEMPLOYMENT RATE OF 4.8 PERCENT WITH 1.1 MILLION WORKERS JOBLESS AND 850,000 WORKERS ON SHORT-TIME.

3. ALTHOUGH UNEMPLOYMENT IS HIGHER THAN IN ANY TIME DURING THE PAST 20 YEARS, IT HAS NOT BECOME SO FAR A BURNING SOCIAL ISSUE. THE CALMNESS WITH WHICH GERMANS ACCEPT THE HIGHER RATE OF UNEMPLOYMENT MAY BE DUE TO THEIR AWARENESS THAT, IN COMPARISON WITH OTHER INDUSTRIAL COUNTRIES OF THE WEST, THEY ARE WELL OFF, TO THEIR ACCEPTANCE SO FAR OF THE GOVERNMENT LINE THAT GERMANY'S ECONOMIC DIFFICULTIES ARE THE RESULT OF EXTERNAL CONDITIONS AND TO THE LIBERAL BENEFITS WHICH GUARANTEE THE UNEMPLOYED A FAIRLY COMFORTABLE STANDARD

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OF LIVING. THE CLOSE RELATIONSHIP BETWEEN THE SPD PARTY IN THE GOVERNMENT AND THE TRADE UNIONS ALSO PROTECTS THE GOVERNMENT FROM SHARP CRITICISM BY ORGANIZED LABOR.

4. IN DECEMBER 1974, THE FEDERAL GOVERNMENT INSTITUTED AN "ECONOMIC INCENTIVE PROGRAM" WHICH IN ADDITION TO APPROPRIATING DM 1,130 MILLION FOR PUBLIC INVESTMENTS,

INCLUDED A 7.5 PERCENT INVESTMENT BONUS TO ENCOURAGE PRIVATE INVESTMENT. THE GOVERNMENT ALSO APPROVED DM 500 MILLION FOR A WAGE SUBSIDY PROGRAM WHICH AUTHORIZED THE EMPLOYMENT SERVICE TO PAY 60 PERCENT OF THE TOTAL WAGE FOR 6 MONTHS FOR EACH NEW PERMANENT EMPLOYEE HIRED BEFORE MAY 1, 1975. IN ANOTHER MEASURE, THE GOVERNMENT ALSO APPROVED DM 100 MILLION FOR A "MOBILITY ALLOWANCE" OF DM 100 PER MONTH FOR UP TO 6 MONTHS TO THOSE UNEMPLOYED WHO ACCEPT NEW JOBS OUT-

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FM AMEMBASSY BONN
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INFO AMCONSUL BREMEN
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SIDE THEIR COMMUNITIES OR WHO CHANGE TO ANOTHER OCCUPATION. TO ENCOURAGE EMPLOYERS TO KEEP WORKERS ON THEIR PAYROLLS, THE GOVERNMENT ALSO EXTENDED THE PERIOD IN

WHICH WORKERS ON SHORT-TIME COULD RECEIVE BENEFITS FROM 12 TO 24 MONTHS.

5. WHILE FEDERAL LABOR MINISTRY OFFICIALS ARE RELUCTANT TO COMMENT ON THE EFFECTIVENESS OF GOVERNMENT PROGRAMS, THERE ARE INDICATIONS THAT EMPLOYERS AND EMPLOYEES ARE TAKING ADVANTAGE OF WAGE SUBSIDIES AND MOBILITY ALLOWANCES. HOWEVER, MANY UNEMPLOYED GERMANS ARE RELUCTANT TO CHANGE THEIR RESIDENCE OR PROFESSION AS LONG AS THEY BELIEVE THAT WITH THE NEW ECONOMIC UPSWING, PROMISED BY THE GOVERNMENT, THEY WILL BE ABLE
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TO FIND ANOTHER JOB SIMILAR TO THE ONE THEY LOST WHICH WILL PAY AS MUCH AS THEY WERE MAKING EARLIER. ACCORDING TO GOVERNMENT SOURCES, DM 382.2 MILLION, ABOUT 76 PERCENT OF THE DM 500 MILLION APPROPRIATION, HAS BEEN REQUESTED BY EMPLOYERS FOR WAGE SUBSIDIES AS OF AUGUST 8 FOR 78,618 PERSONS EMPLOYED. OUT OF THE DM 100 MILLION APPROPRIATION FOR MOBILITY ALLOWANCES ABOUT DM 25.9 MILLION HAS BEEN PAID AS OF AUGUST 8 FOR 56,378 PERSONS WHO HAVE APPLIED FOR THIS ALLOWANCE. THUS, A TOTAL OF 134,996 PERSONS HAVE BEEN HELPED BY THESE TWO MEASURES SINCE THIS PROGRAM BEGAN.

6. PUBLIC WORKS PROJECTS, WHICH PLAYED A MAJOR ROLE IN GOVERNMENT EFFORTS TO COMBAT HIGH UNEMPLOYMENT DURING THE 1950'S, HAVE NOT PRODUCED THE ANTICIPATED RESULTS SO FAR, ALTHOUGH THE 1969 MANPOWER DEVELOPMENT LAW PROVIDED FOR SUCH PROGRAMS IN THE BUDGET OF THE FEDERAL EMPLOYMENT SERVICE. IN 1974, BUDGETARY APPROPRIATIONS FOR PUBLIC RELIEF PROJECTS WERE INCREASED FROM DM 20 MILLION IN 1973 TO ABOUT DM 175 MILLION IN 1974. ADDITIONAL GOVERNMENT FUNDS RAISED THE TOTAL AMOUNT AVAILABLE FOR PUBLIC RELIEF PROJECTS TO ALMOST DM 200 MILLION, WHICH PROVIDED TEMPORARY JOBS FOR APPROXIMATELY 4.400 UNEMPLOYED WORKERS AS OF THE END OF THE THIRD QUARTER OF 1974. IT IS ESTIMATED THAT DM 200 MILLION REMAINED UNSPENT. BUDGET PROPOSALS FOR 1975 PROVIDED FOR VIRTUALLY THE SAME ALLOTMENTS FOR PUBLIC WORKS PROJECTS AS IN 1974.

7. JOBLESS GERMANS ARE ENTITLED TO UNEMPLOYMENT INSURANCE FINANCED BY CONTRIBUTIONS BY THE EMPLOYEE AND HIS EMPLOYER WITH BOTH CONTRIBUTING TWO PERCENT OF THE WORKER'S EARNINGS, UP TO DM 2,800 PER MONTH. THE CEILING IS ADJUSTED YEARLY AS WAGES INCREASE. UNEMPLOYMENT COMPENSATION, AMOUNTING TO 68 PERCENT OF THE PREVIOUS NET EARNINGS, IS GRANTED TO ALL REGISTERED UNEMPLOYED UP TO ONE YEAR. THE DURATION OF ELIGIBILI-

TY DEPENDS ON THE LENGTH OF PREVIOUS EMPLOYMENT.
ACCORDING TO AVAILABLE DATA, WEEKLY UNEMPLOYMENT COM-
PENSATION IN 1972/73 AVERAGED DM 130.40 PER PERSON.
LATEST BUDGET PROPOSALS FOR 1975 ESTIMATE AVERAGE
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MONTHLY EXPENDITURES WILL BE DM 951.55 PER UNEMPLOYED
PERSON. IN 1973, 20.5 PERCENT OF BUDGET OF THE
FEDERAL EMPLOYMENT SERVICE WAS DEVOTED TO UNEMPLOY-
MENT INSURANCE PAYMENTS. FOR 1975, THE FEDERAL EM-
PLOYMENT SERVICE ESTIMATES AN ANNUAL AVERAGE OF
850,000 WORKERS WILL RECEIVE UNEMPLOYMENT INSURANCE
BENEFITS.

8. BENEFITS FOR THOSE ON SHORT-TIME (KURZARBEITER-
GELD), AMOUNTING TO 68 PERCENT OF THE PREVIOUS NET
WAGE, IS GRANTED TO WORKERS TO COMPENSATE FOR WAGE
LOSSES DUE TO REDUCED WORKING HOURS. PAYMENT OF
KURZARBEITERGELD IS MADE BY THE EMPLOYMENT OFFICE
UPON REQUEST OF THE EMPLOYER AND AFTER REVIEW OF
HIS JUSTIFICATION.

9. SUBSISTANCE ALLOWANCES (UNTERHALTSGELD) ARE
GRANTED UP TO TWO YEARS TO EMPLOYEES WHO HAVE
WORKED AT LEAST THREE YEARS AND REQUEST RETRAINING
FOR ANOTHER OCCUPATION. THESE ALLOWANCES COVER 90
PERCENT OF THE PREVIOUS NET EARNINGS PLUS PARTIAL OR
FULL TRAINING COSTS. EXPENDITURES FOR SUBSISTANCE
ALLOWANCES IN 1973 COMPRISED 18.1 PERCENT OF THE TOTAL
BUDGET OF THE FEDERAL EMPLOYMENT SERVICE.

10. BAD WEATHER ALLOWANCE (SCHLECHTWETTERGELD) AMOUNT-
ING TO 68 PERCENT OF THE PREVIOUS NET EARNINGS, IS
GRANTED TO CONSTRUCTION WORKERS BETWEEN NOVEMBER 1 AND

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INFO AMCONSUL BREMEN

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MARCH 31 TO COMPENSATE FOR LOSSES IN PAY DUE TO
INTERRUPTION OF CONSTRUCTION BECAUSE OF BAD WEATHER.

11. WHILE RECEIVING UNEMPLOYMENT AND THE OTHER ABOVE
BENEFITS, WORKERS ARE EXEMPT FROM SOCIAL SECURITY
TAXES AND CONTINUE TO RECEIVE HEALTH INSURANCE BENE-
FITS AND SUPPLEMENTARY CHILD ALLOWANCES.

12. FOR THE FIRST TIME SINCE THE FRG WAS ESTABLISHED,
UNIONS ALSO ARE BEGINNING TO NEGOTIATE SUPPLEMENTARY
UNEMPLOYMENT BENEFITS IN COLLECTIVE CONTRACTS. FOR
EXAMPLE, THE CHEMICAL WORKERS UNION HAS NEGOTIATED
SUPPLEMENTARY UNEMPLOYMENT BENEFITS WHICH PROVIDE THAT,
BEGINNING OCTOBER 1, 1975, UNEMPLOYED BLUE AND WHITE
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COLLAR WORKERS WHO HAVE BEEN EMPLOYED IN THE CHEMICAL
INDUSTRY WITHOUT INTERRUPTION FOR AT LEAST 8 YEARS
AND IN THE SAME ENTERPRISE FOR AT LEAST 4 YEARS, WILL
RECEIVE A 15 PERCENT SUPPLEMENT TO THEIR UNEMPLOYMENT
INSURANCE COMPENSATION AFTER THEY HAVE BEEN UNEMPLOYED
FOR TWO OR MORE MONTHS. A FUND JOINTLY ADMINISTERED
BY THE CHEMICAL WORKERS UNION AND THE NATIONAL CHEMI-
CAL EMPLOYERS ASSOCIATION WAS ESTABLISHED TO FINANCE

THE BENEFIT. THIS AGREEMENT ALSO CONTAINS A REHIRING
CLAUSE WHICH REQUIRES THAT WITHIN 12 MONTHS OF SEPARA-
TION WORKERS WITH AT LEAST 12 MONTHS SENIORITY WHO
HAVE BEEN INVOLUNTARILY SEPARATED FOR OPERATIONAL
REASONS MUST BE REHIRED BEFORE NEW WORKERS CAN BE
EMPLOYED.

13. COMMENT: THE NEW SETTLEMENT IN THE CHEMICAL
INDUSTRY CONSTITUTES AN ENTIRELY NEW UNION EFFORT
DESIGNED TO OBTAIN UNDER COLLECTIVE AGREEMENTS SUPPLE-
MENTARY BENEFITS IN ADDITION TO THOSE REGULARLY GRANTED
UNDER SOCIAL SECURITY LEGISLATION. IT REMAINS TO BE
SEEN WHAT IMPLICATIONS THIS NEW AGREEMENT MAY
HAVE FOR THE CHEMICAL INDUSTRY AND IF IT WILL BE
ADOPTED AS A MODEL BY OTHER UNIONS TO STRIVE TOWARD
SIMILAR SUPPLEMENTARY SOCIAL SECURITY BENEFITS REGULA-
TED UNDER COLLECTIVE AGREEMENT IN OTHER
INDUSTRIES FOLLOWING THE US PATTERN.
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